

Workshop for Developing Countries on the Revision of the International Recommendations for International Merchandise Trade Statistics Bangkok, 9-12 September, 2008

Coverage

**(Packaged software; Downloadable software and audiovisual
products; Asymmetric inclusions and exclusions; Other inclusions
and exclusions)**



Presentation by Markie Muryawan

Statistician,

United Nations Statistics Division, International Trade Statistics Section,

2 United Nations Plaza, DC2-1540, New York, New York 10017,

Phone: (212) 963-0692, Fax: (917) 367-5106, e-mail: markie@un.org

Packaged Software and audiovisual products

1. Current recommendation(s)

IMTS, Rev.2, makes a distinction between packaged software (or audiovisual products), which is recommended to be included, and software (or audiovisual products) “developed to order” which is treated as part of trade in services.

Refer to IMTS, Rev.2, para. 27 and para. 48

2. Result from the 2006 NCDP Questionnaire

Question 12.11: Do you INCLUDE in trade statistics:	Yes	No	N/A
Goods used as carriers of information and software developed for general or commercial use (e.g., packaged sets containing CD-ROM or DVD with stored computer software and/or data); Note: this category excludes materials developed "to order".	76.8	14.9	8.3

Packaged Software and audiovisual products

3. Result from world wide consultations

Question 3: Do you agree that the existing recommendation (IMTS, Rev.2, para 27) for inclusion of goods used as carriers of information and software should be updated with respect to its scope?	Yes	No	No Op.	N/A
Total of 110 replies	85	5	6	3
Developed (34)	88	3	6	3
Developing and transitional (76)	84	7	7	3

4. UNSD observation of wwc result

There is almost universal support (85%, with no-answers only 5%) for this proposal although the comments show different opinions. Some countries return to the BPM6 discussion of goods vs. services.

There is almost no difference on this question between developing/transitional and developed countries.

Packaged Software and audiovisual products

5. Selected comments (from total of 56 comments)

- “It is difficult to identify from Customs documents what is packaged software and what is specifically developed”
- “ There is no difference between these two (software developed for general use and ‘to order’) and both could be considered as trade in services”
- “As much software comes with a perpetual license, it can not really be seen as a service - certainly no more so than any other copyrighted material - and it therefore makes sense to view the software itself as a merchandise product”
- “It should be noted that the IMF has recently been presented with a proposal to modify the current draft of the BPM 6. This proposal recommends the total exclusion of all software from goods”
- “We suggest further defining the ‘length’ of the ‘periodical’ license”

Downloadable software and audiovisual products

1. Current recommendation(s)

Downloadable or otherwise electronically delivered computer software and audiovisual products are not explicitly covered by IMTS, Rev.2 and BPM5. IMTS Compiler Manuals does make reference in chapter 5, paragraph 125.

(IMTS:CM, Ch. 5, para 125) The electronic transmission of *any* information (software, blueprints, books, music, engineering plans etc.) from one country to another is outside the scope of trade statistics since it is generally considered to be a service rather than a good.

2. Result from the 2006 NCDP Questionnaire

Question: Not available	Yes	No	N/A

Downloadable software and audiovisual products

3. Result from world wide consultations

Question 6: Do you agree that a new recommendation is needed to explicitly exclude electronic transmission of any downloadable product (e.g., software, blueprints, books, music, movies, engineering plans, etc.) from one country to another as it is outside the scope of international merchandise trade statistics?	Yes	No	No Op.	N/A
Total of 110 replies	84	7	9	0
Developed (34)	88	3	9	0
Developing and transitional (76)	82	9	9	0

4. UNSD observation of wwc result

There is almost universal support (84%, with no-answers only 7%) for this proposal. Some countries make reference to the BPM6 discussion on goods vs. services. Two countries recommend dealing with this issue in the supplement.

The support from the developed countries was very strong (88%) and slightly less strong (82%) from the developing/ transitional countries.

Downloadable software and audiovisual products

5. Selected comments (from total of 49 comments)

- “It is important to include electronic transmission of downloadable products. A wide discussion is needed to clarify how to control and value such products”
- “The current situation where the treatment of software depends on packaging and mode of transport is not satisfactory”
- “We agree that the above-mentioned goods are excluded in the merchandise trade statistics, since they do not cross borders in physical form”
- “Clarification on this issue is required, most goods are physical in international merchandise trade, the IMTS needs to explicitly include/exclude commodities which aren't physical i.e. such as why downloadable products are considered a service but electricity production is not.”

Asymmetric inclusions and exclusions

1. Current recommendation(s)

In a number of cases IMTS, Rev.2 contains asymmetrical recommendations on inclusions and exclusions for imports and exports. For instance:

Bunkers, stores, ballast and dunnage (IMTS, Rev.2, para 39) that are:

(a) Acquired by national vessels or aircraft from foreign vessels or aircraft in the economic territory of a country, or are landed in national ports from foreign vessels or aircraft, are to be included in imports (for treatment in exports, see para. 59 (b) below);

(b) Supplied to foreign vessels or aircraft in the economic territory of a country are to be included in exports (for treatment in imports, see para. 59 (a) below).

Bunkers, stores, ballast and dunnage (IMTS, Rev.2, para 59) that are:

(a) Acquired by national vessels or aircraft outside the economic territory of a country are to be excluded but recorded separately (for treatment in exports, see para. 39 (b) above);

(b) Supplied by national vessels or aircraft to foreign vessels or aircraft outside the economic territory of a country or landed in foreign ports from national vessels or aircraft are to be excluded but recorded separately (for treatment in imports, see para. 39 (a) above)

Another case with similar asymmetries is fish catch on high seas.

Asymmetric inclusions and exclusions

2. Result from the 2006 NCDP Questionnaire

Question: Do you INCLUDE in trade statistics:	Yes	No	N/A
bunkers, stores, ballast and dunnage supplied to foreign vessels/aircraft in the economic territory of your country	52.9	35.5	11.6
bunkers, stores, ballast and dunnage landed in national ports from foreign vessels/aircraft	33.1	42.9	24
bunkers, stores, ballast and dunnage acquired by national vessels/aircraft from foreign vessels/aircraft in the economic territory of your country	29.8	47.1	23.1
Question: Do you EXCLUDE in trade statistics:	Yes	No	N/A
bunkers, stores, ballast and dunnage that are acquired by national vessels/aircraft outside the economic territory of your country;	49.6	21.5	28.9
bunkers, stores, ballast and dunnage that are supplied by national vessels/aircraft to foreign vessels/aircraft outside the economic territory of your country or landed in foreign ports from national vessels/aircraft;	46.3	22.3	31.4

Asymmetric inclusions and exclusions

3. Result from world wide consultations

Question 7(i): That as a general guideline, recommendations on inclusions and exclusions should be symmetrical (that is if a certain category of goods is recommended for inclusion in imports statistics it should be recommended for inclusion in exports statistics as well and vice versa)?	Yes	No	No Op.	N/A
Total of 110 replies	73	12	15	1
Developed (34)	76	15	9	0
Developing and transitional (76)	71	11	17	1

Question 7(ii): That all asymmetric inclusions and exclusions be reviewed, and either reconfirmed, modified or canceled?	Yes	No	No Op.	N/A
Total of 110 replies	76	7	14	3
Developed (34)	88	6	6	0
Developing and transitional (76)	71	8	17	4

Asymmetric inclusions and exclusions

4. UNSD observation of wwc result

There is very strong support for this proposal (73% and 76% vs. no-answers 12% and 7%, respectively). There is an interesting and open discussion of how to handle this issue on a practical level.

A number of countries suggest not making the criteria of symmetry to the overruling principle. There are also other asymmetries (i.e. CIF vs. FOB valuation). Some countries propose that some aspects of this issue could be treated in the Compilers Manual (the wider discussion of trade asymmetries).

More developed (76% part 1 and 88% part 2) than developing/transitional countries (71% and 71%, respectively) support this proposal.

Asymmetric inclusions and exclusions

5. Selected comments (from total of 48 comments)

- “This will be helpful in analyzing mirror statistics”
- “It's important to identify all asymmetries included in IMTS,Rev.2 in order to avoid such differences in the new manual”
- “It is impossible in practice to collect information about goods obtained/provided by national vessels or aircraft outside the economic territory of the country”
- “This is more logical and in conformity with the principles of the balance of payments. In addition, recording transactions in a symmetrical way helps in reducing errors and omissions”
- “Conceptually Australia agrees with this recommendation, but the practical issues need to be considered. Guidelines to address these issues would be required”

Other inclusions and exclusions

Other cases that are not part of world wide consultations

- Humanitarian aid, including emergency aid, and other donations be included, even if details of these transactions may only become available at a later stage;
- The existing recommendation on exclusion of merchanting (paragraph 50, IMTS, Rev.2) be confirmed; and that in this respect the trade in aircraft and vessels (which is included) be further elaborated;
- Inclusions of goods acquired by all categories of travelers; Declaration above threshold and estimation of all low value trade;
- Goods under financial lease; Ships, aircraft and other mobile equipment; Recorded at full value on acquisition – imports; Recorded at full value on dispatch – re-exports;

Possible issues for discussion

Packaged Software and audiovisual products

- The use of periodic or perpetual licenses as criteria for inclusion/exclusion.
 - How can compilers distinguish between those two licenses?
 - What is the time limit for periodic licensing?
- Comments on draft of the BPM6 in regards to the proposal of total exclusion of all softwares from goods.

Downloadable software and audiovisual products

- Distinction between *downloadable* products and *streamed* products.
 - Streamed products considered as service as there is no enduring products, how's about downloadable products?
- Packaged software transported using physical media (diskettes / CDROM / flash drive / etc) is included but not packaged software downloaded via computer networks. Any comments?

Possible issues for discussion

Asymmetric inclusions and exclusions

- What are the strategies to collect statistics outside the economic territory of the country? Conduct a survey on airlines and shipping companies?
- Russian Federation export/import of bunker, fish, etc. obtained in high seas and in territorial waters of other countries are separately recorded by Rosstat. How's the current practice in other countries?

Other inclusions and exclusions

- Any other issues that need to be raised and discussed?

Thank you for your attention